

Statement of Cheryl Cook Deputy Undersecretary for Rural Development U.S. Department of Agriculture

**Before the Subcommittee on Rural Development,
Biotechnology, Specialty Crops, and Foreign Agriculture
U.S. House Committee on Agriculture**

**10:00 a.m., July 9, 2009
1300 Longworth Building
Washington, D.C.**

Chairman McIntyre, Ranking Member Conaway, and Members of the Subcommittee, thank you for your invitation to testify before you today on USDA's Rural Development programs. This Subcommittee has been a leader in working for the accelerated deployment of broadband in rural America. I know that you recognize the strategic importance of broadband in increasing economic opportunity and improving the quality of life in rural communities, and I appreciate your understanding, support, and at times criticism and counsel in this effort.

For over seven decades, we have helped deploy electric, telecommunications, water, and wastewater service to small towns and rural communities across the country. Broadband is the newest addition to our portfolio. It is a natural evolution of our traditional infrastructure telecommunications program. USDA's Telecommunications Program, working with private investors, was already involved in the 1970's in the development of the nation's first fiber optic system for commercial use. As telecommunications technology moves from copper to cable, fiber, and wireless, we must and will evolve to assist rural communities in mastering new opportunities.

The current broadband loan program was established by the 2002 Farm Bill and was subsequently amended by the 2008 Farm Bill. This program to date has provided over \$1.1 billion in funding for broadband projects in rural communities in 42 states. In February of this year, the American Recovery and Investment Act (ARRA) made an

additional \$7.2 billion available for a program to deploy broadband in unserved and underserved areas nationwide. Of this total, \$2.5 billion was provided to USDA for loans, grants, and loan/grant combinations. The Notice of Funds Availability—the NOFA—for Recovery Act broadband funding will apply to both USDA and the Department of Commerce and was published in the Federal Register today.

The prompt and efficient implementation of this initiative is a high priority for Secretary Vilsack. The Secretary had the privilege on July 1 of joining Vice President Biden, Commerce Secretary Gary Locke, and FCC Chairman Julius Genachowski in Wattsburg, Pennsylvania, to announce the first round of Recovery Act broadband funding. As the Vice President stated, “[This] announcement is a first step toward realizing President Obama’s vision of a nationwide 21st Century communications infrastructure – one that encourages economic growth, enhances America’s global competitiveness, and helps address many of America’s most pressing challenges.” We are committed to this effort.

Broadband Authorized in the Farm Bill

Under the Rural Electrification Act, we administer four broadband-related programs. Our telecommunications program has for some years required that all new capacity financed by USDA be broadband capable. In addition, through the Community Connect and the Distance Learning and Telemedicine Programs, we have achieved considerable success and garnered invaluable experience in deploying broadband and related services to rural and underserved communities.

Finally, the Farm Bill Broadband Loan Program has to date provided over \$1.1 billion in loans to 97 broadband infrastructure projects across rural America. Implementation of this program involved a steep learning curve, and we acknowledge the criticisms and suggestions we have received. We have worked hard to incorporate these lessons in the pending broadband regulation and the Recovery Act NOFA. New regulations governing

our traditional broadband program are expected to be published later this year. These regulations will implement the changes authorized by the 2008 Farm Bill and build on the experience we have gained over the last seven years. When these regulations are published, outreach programs will be conducted to explain the new requirements and to assist prospective applicants with applying. And as always, Telecommunications Programs general field representatives can assist service providers and rural community leaders with these new programs, as well as current loan and grant programs. We expect that these new regulations and procedures will continue to keep our portfolio healthy and delinquencies low.

Broadband under the Recovery Act

I will now turn to the Rural Development broadband program authorized under the Recovery Act to fund broadband deployment in rural, unserved, and underserved areas. The Recovery Act provided \$7.2 billion for broadband deployment divided between USDA Rural Development and the National Telecommunications Information Administration (NTIA). We have named the USDA portion of this joint effort the Broadband Initiatives Program or BIP.

Since enactment, both USDA and NTIA, with the active engagement of the FCC, have worked very closely to develop a common strategy, common definitions, and consistent standards. Our goal is to achieve the President's vision of universal access, ensure that no community is arbitrarily excluded, and that we do the best job possible of leveraging the taxpayers' dollars for maximum benefit.

To this end, USDA and NTIA published a joint Request for Information soliciting public comment on implementation of the ARRA broadband program. We held six public meetings to provide an opportunity for public comment and received over 1,000 comments from institutions and individuals on key questions, including the definitions of "broadband," "unserved," and "underserved." We then spent weeks drafting the Notice of

Funds Availability (NOFA), which was posted on-line on July 1st and published in the Federal Register today.

We believe that this NOFA, the first of three anticipated NOFAs, meets the tests I have just described. It was not an easy task, but the result reflects diligent effort and a wealth of expertise and experience. It also reflects President Obama's vision that rural America, and our nation as a whole, have a world class, 21st century broadband infrastructure.

In this effort, it is a top priority for USDA to ensure that our share of Recovery Act broadband funds are deployed effectively to spur economic development in the most rural and unserved areas that currently lack adequate broadband service. In comparison to the existing Farm Bill broadband program, the Recovery Act program provides new tools and greater flexibility:

Under USDA's traditional loan program, for example, many potential applicants who want to serve the most rural and unserved areas cannot make a business case for a loan to serve these areas because costs exceed revenues. The Recovery Act allows USDA to provide a flexible mix of loans, grants and loan/grant combinations, which will make many more projects in currently unserved areas feasible and eligible for funding. The Recovery Act allows USDA to give preference to these types of projects in unserved areas, and we will do so under the NOFA.

In addition, priority under the NOFA will be given to projects that:

- ☐ Spur economic development and create jobs *in addition to* those created by the construction and operation of broadband networks;
- ☐ Give residents a choice of more than one service provider;
- ☐ Provide service to the highest proportion of rural residents who do not have access to broadband service;

- ☐ Are current or former RUS borrowers;
- ☐ Are fully funded and can commence immediately.

The long-term objective is to promote rural economic development. We are now at the beginning of the application process. Of the total \$7.2 billion in budget authority made available by the Recovery Act, \$4 billion of available funding has been allocated to this NOFA. From July 14 through August 14, RUS and NTIA will accept applications for projects that meet these NOFA requirements. Awards will be announced starting in November.

We anticipate that remaining funds will be made available through additional NOFAs. Subsequent NOFA requirements will vary as we learn from our experience, respond to public and congressional suggestions and concerns, and work to better achieve the Administration's priorities.

I would like to emphasize again that -- while the USDA and NTIA programs each have unique characteristics -- we have worked hard to ensure that implementation is a collaborative and coordinated effort and that our activities are complementary, transparent, enhance efficiency of the application process and prevent duplication of funding.

Applicants requesting over \$1 million in support will be required to use the broadband portal -- www.broadbandusa.gov -- to submit applications. USDA and the Department of Commerce will utilize a two-step application process that will first establish viable applications, and then will identify those applicants most qualified to receive funding through additional information review. All applicants must also agree to nondiscrimination and interconnection requirements that connect to the public Internet backbone with reasonable rates and terms and that do not favor applications or content. This is a policy choice, and an important one; it will elicit much discussion from the industry, but we believe it is an appropriate standard for the use of public funds.

Because the purpose of the Recovery Act is to spur job creation and stimulate long-term economic growth and opportunity, all \$7.2 billion in Recovery Act funding will be obligated by September 30, 2010.

In closing, I acknowledge that the Broadband Initiatives Program, combined with our traditional broadband program, the Community Connect program, and the Distance Learning and Telemedicine program, will not connect every rural and remote place in the United States. The need is large and we will not complete the task overnight.

These programs will, however, continue to help bridge what's been termed "the digital divide." Today, broadband has become as vital to communities as basic telephone, electricity and running water. We are committed to bringing broadband service to rural America and will continue to work hard to connect rural residents to the rest of the world.

Thank you for your generous support of the Rural Development mission. Our ability to offer programs to create economic opportunity and improve the quality of life in rural America is the result of your work. It is an honor and privilege to work with you on behalf of the 60 million Americans in our rural communities.